

Message Text

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44

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 ISO-00 FEA-01

AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1982

INFO AMEMBASSY ALGIERS

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

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BEIRUT PASS BAGHDAD

E.O. 11652: N/A

TAGS: ENRG, KU

SUBJECT: MAJOR SHELL-GOK CRDUE OIL SALE AGREEMENT: PRODUCTION

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IMPLICATIONS

REF: (A) KUWAIT 100 (NOTAL) (B) KUWAIT 210

BEGIN UNCLASSIFIED

1. SHELL AND GOK SIGNED MAJORE CRDUE OIL SALES AND TECHNICAL ASSISTANCE AGREEMENT HERE JANUARY 18. UNDER AGREEMENT KUWAIT WILL SUPPLY 100,000 BARRELS PER DAY OF PARTICIPATION CRUDE TO SHELL DURING FIRST QUARTER 1975. STARTING IN OCTOBER QUANTITY WILL BE INCREASED TO 400,000 BPD. PRICE ACCORDING TO PRESS REPORTS WILL BE \$10.365 FOB MINA AL-AHMADI OR 93 PERCENT POSTED PRICE. DURATION OF AGREEMENT IS THREE YEARS AND PRICES WILL CHANGE ACCORDING TO VARIATIONS IN THE MARKET. IN THAT CONNECTION \$10.365 PRICE WILL REMAIN VALID THROUGH SEPTEMBER 1975. PRESS STATES VALUE OF CONTRACT FOR PERIOD THROUGH SEPTEMBER IS APPROXIMATELY \$1.5 BILLION.

2. AS PART OF CONTRACT SHELL HAS AGREED TO PROVIDE KNOW-HOW AND TRAINING SERVICES. MINISTER FINANANCE AND OIL ATEEQI, WHO ANNOUNCED AGREEMENT TO PRESS SAID TECHNICAL ASSISTANCE WILL INCLUDE TRAINING ON MAINTENANCE WORKS FOR PETROLEUM INSTALLATIONS AND OTHER SPECIFIC REFINING PROJECTS.

3. ATEEQI WAS ASKED ABOUT STATEMENTS THAT GOK INTENDED REDUCE OVERALL PRODUCTION TO 2 MILLION BPD (REFTEL), BUT HE DECLINED TO COMMENT. HE ALSO RESUED TO COMMENT ON GROUP OF 10 MEETING HELD LAST WEEK IN WASHINGTON.

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3. COMMENT: SHELL DEAL IS BY FAR LARGEST AND MOST IMPORTANT DIRECT SALE CRUDE OIL MADE BY GOK. AS MAJOR PURCHASER KUWAITI CRUDE, AS PROVIDER OF TECHNICAL ASSISTANCE AND AS HOLDER OF OFF-SHORE CONCESSION (ALBEIT A PERENNIALLY DORMANT ONE) SHELL WILL HAVE A ROLE IN KUWAIT AND A RELATIONSHIP WITH GOK ALMOST AS IMPORTANT AS THOSE OF GULF AND BP. INDEED SHELL'S ENHANCED PRESENCE HERE WILL GIVE GOK YET ANOTHER LEVER TO USE IN DEALING WITH THOSE TWO COMPANIES. FURTHERMORE, POSSIBILITY EXISTS THAT OTHERS WILL EMULATE SHELL; FOR EXAMPLE MOBIL IS WORKING CLOSELY WITH KNPC ON A PROJECT AND EXXON HAS BEGUN TO PROBE POSSIBILITIES OF DIRECT PURCHASES FROM GOK. (COROLLARY IS THAT GULF BEGINNING TO BE ACTIVE IN SAUDI ARABIA

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WHERE WE UNDERSTAND THEY INVOLVED IN REFINERY PROJECT.) AS SHELL DEAL INDICATES GOK WILL BE LOOKING NOT ONLY FOR PRICE BUT ON LARGE DEALS WITH MAJORS ALSO FOR SOME FORM OF TECHNICAL ASSISTANCE.

4. ATEEQI RELUCTANCE COMMENT ON POSSIBLE PRODUCTION CUTS IN LIGHT KUWAIT EFFORTS SELL CRUDE (REFTELS) LEADS US TO CONCLUDE THAT GOK WANTS KEEP OPTION OPEN AND THAT OVERALL KUWAITI PRODUCTION DURING 1975 WILL BE DETERMINED LARGELY BY COMBINATION PRICE AND MARKET

FACTORS AND ABILITY GOK TO SELL CRUDE DIRECTLY AT PRICE LEVELS SET
BY OPEC.
STOLTZFUS

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